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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 21, 2006

The Honorable Laura Knaperek, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Knaperek and Senator Blendu:

Our Office has recently completed a 6-month followup of the Department of Revenue—Collections Division, regarding the implementation status of the 18 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in October 2005 (Auditor General Report No. 05-14). As the attached grid indicates:

- 1 has been implemented;
- 15 are in the process of being implemented;
- 1 is not yet applicable; and
- 1 is no longer applicable.

Our Office will continue to follow up at 6-month intervals with the Department on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Debbie Davenport
Auditor General

DD:Ac
Attachment

cc: Gale Garriott, Director
Arizona Department of Revenue

**DEPARTMENT OF REVENUE
COLLECTIONS DIVISION
6-Month Follow-Up Report To
Auditor General Report No. 05-14**

FINDING 1: Division could improve collections by expanding matching programs

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Division should consider improving and/or enhancing the DES automated wage match and levy program by taking the following steps:		
a. Determining which delinquent accounts currently excluded from the DES wage match had an established Arizona account and including those accounts in the match.	Implementation in Process	
b. Exploring the feasibility of verifying nonfiler taxpayer account information deemed to be confidential based on federal law with a non-IRS secondary source and rekeying that information so that these accounts can also be included in the wage match and levy programs.	Implementation in Process	
c. Requesting the Legislature to amend A.R.S. §23-722.01 to allow the Department to match delinquent taxpayer accounts against the new-hire information that is required to be provided to DES under its child support enforcement program.	Not Applicable ¹	

¹ After the audit, the Department conducted additional legal research and determined that federal code 42USC 653(a) prohibits the sharing of new-hire information. Our Office reviewed and concurred with this opinion.

**DEPARTMENT OF REVENUE
COLLECTIONS DIVISION
6-Month Follow-Up Report To
Auditor General Report No. 05-14**

FINDING 1: Division could improve collections by expanding matching programs (cont'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
d. Decreasing the amount of time a collections account stays in the DES automated wage matching and levy process. Making such a change may need to be revisited, however, if the Department receives authority from the Legislature to use DES' new-hire database.	Implemented at 6 Months	
2. The Division should assess whether it would be beneficial to move a case in the automated bank levy match to a collector sooner than 60 days.	Implementation in Process	
3. The Division should work with the Arizona Bankers Association to draft potential statutory changes and then request the statutory authority to establish a financial institutions data match to receive complete account holder information from Arizona financial institutions for the purpose of identifying levy sources for delinquent taxpayers.	Implementation in Process	
4. The Division should consider implementing an interim notification system for wage and bank levy matches and consider building in an automatic notification function once individual income tax accounts have been converted to the BRITS system.	Implementation in Process	

**DEPARTMENT OF REVENUE
COLLECTIONS DIVISION
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Auditor General Report No. 05-14**

FINDING 1: Division could improve collections by expanding matching programs (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
5. After the state vendor program has been implemented, the Division should continue to monitor its results for a 1-year period to determine whether it should be continued.	Implementation in Process	
6. The Division should take the steps necessary to establish a matching program with the State Lottery to levy a delinquent taxpayer's winnings.	Implementation in Process	

**DEPARTMENT OF REVENUE
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FINDING 2: Division could improve automated collection tools

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Division should regularly review and evaluate the results of its debtor profiling program and revise it as necessary.	Implementation in Process	
2. The Division should assess whether it needs to redistribute its workload or staffing based on how cases are scored through the debtor profiling program.	Not Yet Applicable ²	
3. The Division should consider whether accounts in Office Collections should be automatically identified for review at an interval sooner than 90 days before expiration to ensure an appropriate amount of time for enforcement action and a sufficient number of staff assigned to complete the review.	Implementation in Process	
4. The Division should expand the review of accounts nearing their statute of limitation deadline to include all tax types.	Implementation in Process	
5. The Division should ensure that BRITS includes automated controls for key collection activities such as levies, liens, and payment plans.	Implementation in Process	

² Implementation cannot occur until Finding 1, Recommendation 2, has been fully implemented. The Division reports that it expects this to occur by the 12-month followup.

**DEPARTMENT OF REVENUE
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FINDING 3: Division should take steps to provide taxpayers additional options to pay debts

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Division should seek statutory authority to accept credit card payments for non-Web-based transactions.	Implementation in Process	
2. The Division should ensure, as part of the BRITS project, that it can accept credit cards for collection accounts.	Implementation in Process	
3. The Department should consider seeking statutory authority to accept automatic withdrawal for payment plans.	Implementation in Process	
4. The Division should assess the feasibility of developing a telephone and/or Web-based system through which low-risk taxpayers can set up their own payment plans.	Implementation in Process	